

SAFE HARBOR AND SUBSIDIARY

**Consolidated Financial Statements
June 30, 2011**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Safe Harbor and Subsidiary
Mandeville, Louisiana

We have audited the accompanying consolidated statement of financial position of Safe Harbor and Subsidiary (a Louisiana non-profit corporation) (the "Organization") as of June 30, 2011, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year condensed comparative information has been derived from the Organization's financial statements as of June 30, 2010. In our report dated, December 23, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Safe Harbor and Subsidiary as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2011 on our consideration of Safe Harbor and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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December 27, 2011

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SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2010)

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 173,966	\$ 58,345
Restricted cash	157,032	157,032
Accounts receivable	59,790	73,127
Prepaid expenses	<u>2,784</u>	<u>2,783</u>
Total current assets	393,572	291,287
 CONSTRUCTION IN PROGRESS	 34,397	 -
 PROPERTY AND EQUIPMENT, NET	 76,073	 11,918
 OTHER ASSETS	 <u>750</u>	 <u>750</u>
 TOTAL ASSETS	 <u><u>\$ 504,792</u></u>	 <u><u>\$ 303,955</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 808	\$ 13,374
Accrued unpaid leave	3,154	1,837
Payroll liabilities	<u>10,599</u>	<u>10,552</u>
Total current liabilities	14,561	25,763
 NET ASSETS		
Unrestricted net assets	237,776	90,340
Board designated net assets for investment in facilities	<u>13,820</u>	<u>13,820</u>
Total unrestricted net assets	251,596	104,160
 TEMPORARILY RESTRICTED NET ASSETS	 <u>238,635</u>	 <u>174,032</u>
Total net assets	<u>490,231</u>	<u>278,192</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 504,792</u></u>	 <u><u>\$ 303,955</u></u>

See accompanying independent auditors' report and notes to consolidated financial statements.

SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	Unrestricted	Temporarily Restricted	2011 Total	2010 Total
REVENUE AND SUPPORT				
Grants and contracts	\$ 380,587	\$ 65,603	\$ 446,190	\$ 309,580
United Way allocation	-	21,000	21,000	17,000
United Way designations	11,269	-	11,269	12,925
Donated furniture and supplies	18,156	-	18,156	64,556
Contributions	174,451	-	174,451	65,375
Special events, net of direct costs of \$20,029	70,753	-	70,753	31,662
Interest income	709	-	709	272
Other income	119	-	119	6,401
Net assets released from restrictions	22,000	(22,000)	-	-
Total revenue and support	678,044	64,603	742,647	507,771
EXPENSES				
Program services	441,748	-	441,748	395,016
Supporting services				
Management and general	88,860	-	88,860	198,087
Total expenses	530,608	-	530,608	593,103
CHANGES IN NET ASSETS	147,436	64,603	212,039	(85,332)
NET ASSETS - Beginning of year	104,160	174,032	278,192	363,524
NET ASSETS - End of year	\$ 251,596	\$ 238,635	\$ 490,231	\$ 278,192

See accompanying independent auditors' report and notes to consolidated financial statements.

SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	Program Services	Management and General	2011 Total	2010 Total
Salaries and benefits	\$ 286,135	\$ 50,250	\$ 336,385	\$ 343,756
Payroll taxes	27,031	3,844	30,875	29,636
Accounting	-	7,450	7,450	15,623
Client services expense	24,098	-	24,098	72,481
Client transportation	1,752	-	1,752	3,097
Depreciation	-	9,558	9,558	1,379
Dues and subscriptions	-	2,445	2,445	1,773
Food supplies	5,699	-	5,699	3,630
Insurance expense	14,554	4,071	18,625	24,456
Meetings and seminars	-	-	-	1,549
Miscellaneous	13,606	860	14,466	12,571
Office supplies	284	9,117	9,401	7,887
Rent expense	43,666	-	43,666	50,040
Repairs and maintenance	8,105	40	8,145	3,858
Telephone	6,807	1,225	8,032	10,140
Utilities	10,011	-	10,011	11,227
	<u>\$ 441,748</u>	<u>\$ 88,860</u>	<u>\$ 530,608</u>	<u>\$ 593,103</u>
Total expenses				

See accompanying independent auditors' report and notes to consolidated financial statements.

SAFE HARBOR AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 212,039	\$ (85,332)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	9,558	1,379
Gain from insurance proceeds on loss of property	-	(3,561)
Changes in operating assets and liabilities:		
Accounts receivable	13,337	(11,099)
Prepaid expenses	(1)	8,684
Other assets	-	50
Accounts payable	(12,566)	13,374
Accrued unpaid leave	1,317	(606)
Payroll liabilities	47	9,129
	<u>223,731</u>	<u>(67,982)</u>
Net cash provided by (used in) operating activities	223,731	(67,982)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(108,110)	(13,720)
Proceeds from insurance	-	164,385
	<u>(108,110)</u>	<u>150,665</u>
Net cash (used in) provided by investing activities	(108,110)	150,665
NETCHANGE IN CASH AND CASH EQUIVALENTS	115,621	82,683
CASH AND CASH EQUIVALENTS - Beginning of year	<u>215,377</u>	<u>132,694</u>
CASH AND CASH EQUIVALENTS - End of year	<u><u>\$ 330,998</u></u>	<u><u>\$ 215,377</u></u>
RECONCILIATION TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 173,966	\$ 58,345
Restricted cash	157,032	157,032
	<u>157,032</u>	<u>157,032</u>
Total cash and cash equivalents	<u><u>\$ 330,998</u></u>	<u><u>\$ 215,377</u></u>

See accompanying independent auditors' report and notes to consolidated financial statements.

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Safe Harbor (the “Organization”) was incorporated in January 1991 as a Louisiana non-profit corporation, which is qualified under Section 501(c)(3) of the Internal Revenue Code to provide services to women and their dependent children who are victims of domestic violence. The Safe Harbor Battered Women’s Shelter Program provides temporary housing for its clients. Clients also receive food and clothing, as well as information on housing, legal and welfare aid and assistance in educational and employment matters. There is also a full-time children’s coordinator at the Shelter to oversee a fully-developed children’s program. The Organization incorporates counseling, case management, court advocacy and referrals to community-based programs. All services are free and confidential, and a crisis line is answered 24 hours a day by staff or volunteers.

Phoenix Partners, Inc. is a Louisiana non-profit corporation formed on January 7, 2008 under authority and at the direction of the Board of Directors of Safe Harbor. On April 29, 2009, Phoenix Partners, Inc. acquired by purchase a building and land in Slidell, Louisiana for the sum of \$157,082 to use as an outreach office in that community, after certain renovations were completed. The purchase price was funded by a donation in the amount of the purchase price by Rotary Rebuilds Slidell, Inc. Commencing with the fiscal year ending June 30, 2010, the financials of Phoenix Partners, Inc. are consolidated into the financials of Safe Harbor.

On September 2, 2009 a fire destroyed the building that had been purchased by Phoenix Partners, Inc. and its contents, including office furniture, appliances, equipment and other items that had been donated to furnish the building. The fire was determined to be accidental in nature. In January 2010, fire insurance proceeds in the amount of \$164,385 were received as full payment on policies insuring the building and contents. Of this amount, \$157,032 is reflected as restricted cash and included in temporarily restricted net assets based on conditions set forth in the original donation from Rotary Rebuilds Slidell, Inc.

Outreach offices in the western part of St. Tammany parish located in Covington, Louisiana and in Washington Parish in Franklinton, Louisiana not only serve as a meeting place for court appearances but also as a location for individual or group counseling and legal advocacy. In an endeavor to keep the location of the battered women’s shelter secret from the general public, Safe Harbor has a policy of allowing donors to call the Safe Harbor telephone number listed in the telephone book and arrangements can be made to pick up the donation at a prearranged time and location agreed upon by the Safe Harbor representative and the donor.

Consolidation – The consolidated financial statements presented include the accounts of Phoenix Partners, Inc. All significant inter-organization transactions have been eliminated.

Economic Dependence – The Organization is significantly funded by the State of Louisiana, Office on Women’s Policy. Should the Office on Women’s Policy cut its funding or disallow items, this would have a negative impact on the Organization’s operations.

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Basis of Presentation – The financial statements are prepared on the accrual basis of accounting and consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Organization is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Also required is the presentation of a statement of cash flows.

Unrestricted net assets represent those assets which are not subject to donor-imposed stipulations and, therefore, are assets the Organization may use at its discretion.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Safe Harbor pursuant to those stipulations.

Permanently restricted net assets result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class.

As of June 30, 2011, the Organization does not have any permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-stipulated restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Contributions – Contributions are recognized when the donor makes a promise to give and are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as an unrestricted contribution.

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Contributions, (continued) – The Organization reports contributions of assets other than cash at their estimated fair value at the date of the gift and are reported as revenues of the unrestricted net asset class unless explicit donor stipulations specify how the asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenues of the temporarily restricted or permanently restricted net asset classes. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Property and Equipment – Land, major renovations or major repairs, and equipment are stated at cost at the date of acquisition or renovation, or, if donated, at fair value at the date of donation. Minor renovations or repairs are charged to operations as repairs and maintenance as incurred. Depreciation is provided on the straight-line basis over the estimated useful life of the asset, which is 3 years for computers and equipment and used vehicles and the remaining life on the lease for leasehold improvements.

Use of Estimates in the Preparation of Consolidated Financial Statements – In preparing the Organization's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Concentrations of Credit Risk – For purposes of the statement of cash flows, the Organization considers all restricted highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

The Organization maintains cash balances in a local financial institution that may at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) of \$250,000. The Organization did not have cash balances that were in excess of the FDIC insurance at June 30, 2011 and 2010, respectively.

Functional Expense Allocation – The costs of providing the program and administering the related supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, expenses that benefit both program and supporting services have been allocated using management's estimates.

Donated Assets and Services – The Organization records noncash donations as contributions at their estimated fair value at the date of donation. For the years ended June 30, 2011 and 2010, the Organization recorded donations in the amount of \$18,156 and \$ 64,556, respectively.

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Donated Assets and Services, (continued) – The Organization recognizes donated services, if significant in amount, that create, or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Significant portions of the Organization's functions are conducted by unpaid officers, board members, and volunteers.

The value of this contributed time is not reflected in the accompanying financial statements as they do not create nonfinancial assets nor are they specialized services.

Income Taxes – The Organization is a not-for-profit corporation that is exempt from both federal and Louisiana income taxes under Section 501(c)(3) of the Internal Revenue Code and R.S. 12:201 of Louisiana statutes. For the years ended June 30, 2011 and 2010, the Organization did not have any unrelated business income. Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the financial statements.

Operations – The Organization has entered into grant agreements and reimbursement contracts with various local, state, and federal governmental entities. Noncompliance with the terms of these agreements and contracts could have a significant adverse affect on the operations of the Organization.

NOTE B – ACCOUNTS RECEIVABLE

The accounts receivable are due from various grantors listed below for services provided through June 30, 2011 and 2010. All receivables are expected to be received in a timely manner. The accounts receivable balance consisted of the following as of June 30, 2011 and 2010:

	2011	2010
United Way	\$ 16,000	\$ 17,000
Office of Community Action – ESGP	-	4,556
Office on Women's Policy – Marriage License	-	1,839
Office on Women's Policy – Children's	-	8,245
Office on Women's Policy – Program	-	36,950
Louisiana Commission on Law Enforcement	11,715	4,537
Office for Children/ Family Services	6,542	-
IOLTA Louisiana Bar Association	25,000	-
Other receivables	533	-
	<u>\$ 59,790</u>	<u>\$ 73,127</u>

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

NOTE C – GRANTS FROM GOVERNMENTAL AGENCIES

Grants from governmental agencies include the following for the year ended June 30, 2011 and 2010:

Total funds in the amount of \$216,438 and \$216,770, respectively, were awarded under a contract with the State of Louisiana, Office on Women's Policy as of June 30, 2011 and 2010. The contract is federal pass-through funds from the United States Department of Health and Human Services, Administration for Children and Families, Family Violence Prevention Services-Grants for Battered Women's Shelters, CFDA #93.671.

Funds in the amount of \$16,616 and \$18,619, respectively, were received under a contract with the State of Louisiana, Office on Women's Policy as of June 30, 2011 and 2010. This contract allocates and pays a percentage of certain parish imposed fees on marriage license fees to the parish's designated domestic violence shelter.

Federal funds in the amount of \$12,448 and \$16,004, respectively, were federal pass-through funds from the United States Department of Housing and Urban Development as of June 30, 2011 and 2010, in connection with its Emergency Shelter Grants Program, CFDA #14.231.

Funds in the amount of \$56,685 and \$31,895, respectively, were received in the fiscal year ended June 30, 2011 and 2010, under a contract with the IOLTA Louisiana Bar Association. This grant was used to supplement the salaries of attorneys and staff working for its 2008 Legal Assistance to the Poor grantees. Only full-time, non-contract attorneys and staff are eligible. The attorney's and staff member's position must have been covered at least in part by the grantee's 2009 Louisiana Bar Foundation grant.

Federal pass-through funds in the amount of \$34,290 and \$18,883, respectively, were received under a contract with the Louisiana Commission on Law Enforcement and Administration of Criminal Justice for the "Domestic Violence Outreach" project as of June 30, 2011 and 2010. The federal funds were received from the United States Department of Justice, Violence against Women Office as part of the Stop Violence against Women Formula Grant Program, CFDA #16.588.

NOTE D – BOARD DESIGNATED NET ASSETS FOR INVESTMENT IN FACILITIES

Board designated net assets for investment in facilities as of June 30, 2011 and 2010 consisted of cash contributions. These amounts are specifically designated by the Board for the Safe Harbor Building Fund for the future purchase and/or construction of a new shelter facility for the Safe Harbor Battered Women's Program.

NOTE E – COOPERATIVE ENDEAVOR

During the year, the Organization and SHS Foundation (an entity owned by a person who serves as an advisor to the Organization, but who is not on the Board of Directors) entered into a cooperative endeavor agreement to build additional facilities in which to serve the community, specifically a new building to house family services and administrative offices. The formal agreement was signed October 1, 2011.

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

NOTE E – COOPERATIVE ENDEAVOR, (continued)

Construction in progress – Construction in progress on this cooperative endeavor as of June 30, 2011 was \$34,397, which represents the share of costs for the new building paid by Safe Harbor as of June 30, 2011. There was no construction in progress as of June 30, 2010.

The cost of the new building is being funded partially by Safe Harbor utilizing funds received from a \$100,000 grant received from Humana in November 2010 and partially by SHS Foundation. No long term or other indebtedness is being incurred by Safe Harbor in connection with the new building. As of the date of the cooperative endeavor agreement Safe Harbor had incurred costs of \$51,712, including the construction in progress of \$34,397 as of June 30, 2011, and pursuant to the cooperative endeavor agreement, as of October 1, 2011 obligated itself to fund minimum additional costs for the new building of \$52,431. It is anticipated that the new building will be completed during the fiscal year ending June 30, 2012 and that Safe Harbor's total share of costs paid will be not less than \$104,143.

Upon completion of the new building Safe Harbor will occupy same as a lessee with a purchase option. The lease for this new facility, effective October 1, 2011 provides for an initial 5 year term and 3 additional 5 year option terms. Rental is prepaid for 3 years at \$3. Commencing October 1, 2014 the monthly rent is the monthly payment amount that will amortize the unrecovered investment of SHS Foundation in the new building in monthly payments over 17 years at 5.5% simple interest. If Safe Harbor exercises all 3 options and continues to lease the new facility for the entire 20 year term, Safe Harbor has the right to purchase this new building for \$1; however, Safe Harbor has no obligation to exercise any option and can terminate the lease at the end of the initial 5 year term or any option term.

Safe Harbor has the ability to reduce the rent to be paid to SHS Foundation by increasing its share of costs for the new building, through reimbursements to SHS Foundation. Safe Harbor is not obligated to increase its costs above the projected \$104,143, but doing so would decrease SHS Foundation's investment and the monthly rent paid by Safe Harbor in amortization thereof. If Safe Harbor fails to purchase the new facility, including at the end of the 20 year lease term, SHS Foundation is obligated to reimburse Safe Harbor for its share of costs (i.e. the \$104,143 or greater amount paid by Safe Harbor toward building costs), limited to a percentage of the fair market value of the new building calculated as provided in the cooperative endeavor agreement.

NOTE F – PROPERTY AND EQUIPMENT

As of June 30, 2011 and 2010, property and equipment consisted of the following:

	2011	2010
Computers and equipment	\$ 16,286	\$ 16,287
Vehicle	14,120	-
Leasehold improvements	59,593	-
Less: accumulated depreciation	(13,926)	(4,369)
Property and equipment, net	<u>\$ 76,073</u>	<u>\$ 11,918</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was \$9,558 and \$1,379, respectively.

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2011 and 2010 consisted of allocations from United Way in the amount of \$21,000 and \$17,000, respectively, contributions restricted for the purchase of immovable property in Slidell of \$157,032 and \$157,032, respectively, and the unspent amount of a grant for the improvement of facilities for \$65,603.

NOTE H – RENT AND RENTAL COMMITMENTS

On June 26, 2009, the Organization entered into a seven (7) year lease of a facility composed of three adjacent buildings for a monthly rent of \$3,500 per month. The facility is owned by SHS Foundation. The lease is a triple net lease providing for the Organization to bear all utilities, insurance, taxes and upkeep costs. Pursuant to the cooperative endeavor a new lease was executed for this 3 building facility, effective October 1, 2011 which provides for an initial five year term and 3 additional 5 year option terms at the present rate of \$3,500 per month for the entire term including option terms. If Safe Harbor exercises all 3 options and continues to lease these buildings for the entire 20 year term, Safe Harbor has the right to purchase this 3 building facility for \$1; however, Safe Harbor has no obligation to exercise any option and can terminate the lease at the end of the initial 5 year term or any option term. This lease and purchase option replaces the previous arrangement between Safe Harbor and SHS Foundation which provided that Safe Harbor could purchase this 3 building facility for a price of \$1 plus the outstanding indebtedness secured by the buildings. Thus the option price under the cooperative endeavor is \$1, the purchase option is now at the end of the 20 year term (instead of after 7 years under the previous arrangement) and will not include any indebtedness.

Further, SHS Foundation had in 2009 purchased from Safe Harbor the building where Safe Harbor was located in at that time, subject to an option to repurchase same, whereupon Safe Harbor moved to the 3 building facility described above. SHS Foundation leases the previous facility to an unrelated party. As part of the cooperative endeavor agreement, Safe Harbor's option to repurchase the previous facility was terminated.

In addition, rent payment of \$120 per month is paid for a storage unit at a local storage facility. The storage unit is used to store non-cash donations until such time as they can be used by the shelter facility or its clients.

NOTE I – ACCRUED UNPAID LEAVE

The Organization's full-time employees accrue annual leave as follows:

Year 1-3	7 days/year
Year 4-7	9 days/year
Year 8-10	12 days/year
Year 10-15	14 days/year
Year 15+	21 days/year

SAFE HARBOR AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

NOTE I – ACCRUED UNPAID LEAVE, (continued)

Annual leave is not cumulative and normally must be taken in the year earned. Exceptions for carrying over annual leave are limited to five (5) days and require the approval of the Executive Director. Days accumulated beyond five days without prior approval will not be paid. Sick leave is earned by regular full-time employees at the rate of twelve (12) days per year. Up to five (5) days of accrued sick leave may be carried over to the next year. In the event of resignation or termination, there is no payment for unused sick leave.

The Organization has accrued \$3,154 and \$1,837, respectively, of accrued unpaid leave as of June 30, 2011 and 2010.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 27, 2011, and determined that no events, other than the events in NOTE E and NOTE H, occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**OTHER INDEPENDENT AUDITORS' REPORT
AND FINDINGS AND RECOMMENDATIONS**



Certified Public Accountants & Consultants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Safe Harbor and Subsidiary
Mandeville, Louisiana

We have audited the consolidated financial statements of Safe Harbor and Subsidiary, (a not-for-profit corporation) (the "Organization"), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Safe Harbor and Subsidiary's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Safe Harbor and Subsidiary's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Safe Harbor and Subsidiary, the Board of Directors, others within the Organization, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Albney, LLC

December 27, 2011

**SAFE HARBOR AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
Material weaknesses identified?	_____ yes	_____ X _____	no
Significant deficiencies identified			
not considered to be material weaknesses?	_____ yes	_____ X _____	none reported
Noncompliance material to financial statements noted?	_____ yes	_____ X _____	no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	Not applicable.
Significant deficiencies identified	
not considered to be material weaknesses?	Not applicable.
Type of auditors' report issued on compliance for major programs:	Not applicable
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	Not applicable

Identification of major programs:

CFDA Numbers

Not Applicable

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk audit?	Not applicable

Section II - Internal Control and Compliance

No findings or questioned costs for the year ended June 30, 2011.

See independent auditors' report.